

CITY OF REINBECK

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

**For the period
July 1, 2013 through June 30, 2014**

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CITY OF REINBECK

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Shawn Murphy	Mayor	Jan 2016
Jamie Eiffler	Mayor Pro-Tem	Jan 2014
Tim Johnson	Council Member	Jan 2014
Jim Peterson	Council Member	Jan 2014
Brian Bunz	Council Member	Jan 2016
Angie Schwartz	Council Member	Jan 2016
Eric Weinkoetz	City Administrator/Clerk	Indefinite
Abigail Hodges	City Attorney	Indefinite

(After January 2014)

Shawn Murphy (resigned April 2014)	Mayor	Jan 2016
Tim Johnson (appointed April 2014)	Mayor	Jan 2016
Tim Johnson (resigned April 2014)	Mayor Pro-tem	Jan 2018
Jamie Eiffler (appointed April 2014)	Mayor Pro-tem	Jan 2016
Brian Bunz	Council Member	Jan 2016
Angie Schwartz	Council Member	Jan 2016
Jordan Muller	Council Member	Jan 2018
Mike Harrison	Council Member	Jan 2018
Eric Weinkoetz (terminated Feb 2014)	City Administrator/Clerk	Indefinite
Julie Wilkerson (appointed April 2014)	City Administrator/Clerk	Indefinite
Abigail Hodge	Attorney	Indefinite

Reinbeck Telecommunication Utility Board

Tom Bickett	Chairman	Jan 2019
Richard Bouska	Vice-Chairman	Jan 2015
Jim Petersen	Board Member	Jan 2016
John Petersen	Board Member	Jan 2017
Dan Smoldt	Board Member	Jan 2018



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor, Members of the
City Council and Members of the Reinbeck
Telecommunication Board:

We have performed an agreed-upon procedures engagement of the City of Reinbeck pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Reinbeck for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council and Reinbeck Telecommunication meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Reinbeck Telecommunication's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's and Reinbeck Telecommunication's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council and Reinbeck Telecommunication board.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B, and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384, and 403.9 of

the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements, and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City and Reinbeck Telecommunication. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Reinbeck, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Reinbeck, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Reinbeck and other parties to whom the City of Reinbeck may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Reinbeck during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 2, 2014

Detailed Recommendations

CITY OF REINBECK
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City and Reinbeck Telecommunications:

- (1) Cash – collecting, recording, and reconciling.
- (2) Payroll – recordkeeping, preparation and distribution.
- (3) Utilities – billing, collecting, recording, and depositing.
- (4) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Reinbeck Telecommunications should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and financial reporting should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any should be reviewed and resolved timely.

- (C) Investments – An accounting record/register is not maintained for each investment. Additionally interest received on investments was not posted to the City's general ledger.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained. Additionally, the City should record interest income on their investments throughout the year when the interest is earned.

- (D) Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council and Reinbeck Telecommunications proceedings to be published within fifteen days of the meeting and include total disbursements from each fund, a list of claims allowed and a summary of all receipts. None of the four monthly minutes reviewed for the City Council and the Reinbeck Telecommunications were published within fifteen days. Also, all four of the monthly minutes reviewed did not include total disbursements from each fund, a list of claims allowed and a summary of all receipts.

The City Council went into closed session on January 24, 2014. The minutes did not document the reason for the closed session by reference to a specific Code of Iowa exemption and there was no documentation of a roll call vote as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council and Reinbeck Telecommunications minutes within fifteen days and should include total disbursements from each fund, a list of claims allowed and a summary of all receipts.

CITY OF REINBECK
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

The City should document the reason for the closed session by reference to the specific Code of Iowa exemption and document in the minutes a roll call vote when entering into and returning from a closed session in order to comply with Chapter 21 of the Code of Iowa.

- (E) Transfers – Supporting documentation was not maintained for interfund transfers and journal entries. Additionally, transfers and journal entries were not approved.

Recommendation – Supporting documentation should be maintained which substantiates all interfund transfers and journal entries. Additionally, all interfund transfers should be evidenced by approval in the minutes or budget, as applicable. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (F) Disbursements – Certain disbursements, including credit card transactions, were not supported by proper documentation.

Recommendation – Before payment is made, the City and Reinbeck Telecommunications should ensure all disbursements have supporting documentation and original receipts are included with the monthly credit card bill.

- (G) Payroll – Timesheets did not include evidence of supervisory review. Additionally overtime was being computed on number of hours paid instead of the actual hours worked.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally overtime should be properly computed based on actual hours worked for all employees.

- (H) Payment of General Obligation Bonds – Principal and interest on the City's general obligation bonds were paid from the Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes must be deposited in the Debt Service Fund."

Recommendation – The City should transfer from the Tax Increment Financing Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (I) Official's and Employee's Utility Accounts – Two City Council members have a history of being delinquent on their water bills. The City has not followed the normal shut-off notice or procedures with these accounts.

An employee of the Reinbeck Telecommunications receives cable and internet services free of charge. Chapter 388.6 of the Code of Iowa states in part "A city utility system may not provide use or service at a discriminatory rate."

Recommendation – City officials should keep their utility accounts current and the City should follow the same penalty and shut-off procedures for City officials as it would for any other utility customer.

CITY OF REINBECK

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

The Telecommunication should comply with Code of Iowa and charge all persons receiving cable and internet services.

- (J) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (K) Financial Condition – At June 30, 2014, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue:	
Road Use Tax	\$ 2,882
Tax Increment Financing	93,406
Proprietary:	
Sewer	29,922

Recommendation – The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial position.

- (L) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and general government functions. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (M) Urban Renewal Annual Report – The urban renewal annual report was properly certified to the Iowa Department of Management on or before December 1, however the report was not approved by the City Council.

The City’s TIF revenues and ending cash balance of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City’s records.

Recommendation – The City Council should approve the urban annual report before it is filed and the City should ensure the balances reported on the Levy Authority Summary agree to the City’s records.

CITY OF REINBECK

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (N) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Bunz, Council Member, owner of Reinbeck Auto Service	Services	\$ 177
Julie Wilkerson, City Administrator, spouse is owner of Wilkerson Hardware	Supplies	1,017

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

- (O) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness.

Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the city to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

During the year TIF funds were transferred to capital project accounts to pay the costs incurred for the Memorial Building renovation and the Southridge 2nd Addition construction. The debt related to these projects was certified as TIF debt however the transfers were done to pay the actual costs and not the related debt for these projects.

Recommendation – The City should reimburse the TIF Fund from an allowable fund for these costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

- (P) Low and Moderate Income (LMI) Requirements – The City has entered into urban renewal development agreements for the construction of housing units. In accordance with these agreements and Chapter 403.22 of the Code of Iowa, any project related to housing which received tax increment financing assistance must also generate funds to be used to provide assistance to housing for low and moderate income (LMI) families. As of June 30, 2014 the City has not complied with the LMI requirements.

CITY OF REINBECK
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including determination of the appropriate LMI amounts required to be set aside pursuant to the City's urban renewal agreements and Chapter 403.22 of the Code of Iowa.

- (Q) Sewer Revenue Note – The City has a sewer revenue note in the amount of \$2,394,439 at June 30, 2014. The resolution for the sewer revenue note provides in part, that sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

Further the sewer revenue note requires the City to maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due in that year. Since the City's Enterprise, Sewer Fund is in a deficit position, the City has not maintained sufficient user rates.

Recommendation – The City should establish a separate sewer revenue sinking account required by the note resolution. The City should transfer from the Enterprise, Sewer Fund to the sewer sinking account monthly and future note and interest payments should be made from the sinking account, as required.

The City should adjust user rates or reduce other expenses to ensure net receipts equal at least 110% of the principal and interest due each year.

CITY OF REINBECK

Staff

This audit was performed by:

**Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158**

Personnel:

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